



AMADOR-TUOLUMNE COMMUNITY ACTION AGENCY

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December 1, 1997

Cynthia L. Johnson, Director
Cash Management Policy and Planning Division
Financial Management Service
U.S. Department of the Treasury
401 14th Street S.W., Room 420
Washington, D.C. 20227

Subject: Comments on Proposed Regulations 31 CFR Part 208, Electronic Funds Transfer '99

Dear Ms. Johnson:

The Amador-Tuolumne Community Action Agency (A-TCAA) thanks the Department of Treasury for this opportunity to comment on Proposed Regulations 31 CFR Part 208, especially those parts which affect Federal benefit recipients.

A-TCAA commends Treasury's goal of bringing the "unbanked"—most often low-income and/or elderly—into the banking system. However, as an organization with over 16 years of experience in working with low-income, elderly, and other "unbanked" populations, A-TCAA has serious concerns regarding EFT's implementation and its potentially adverse impacts on our clientele without changes to the proposed rule.

A-TCAA is a Community Action Agency serving the two rural California counties of Amador and Tuolumne. These counties are located along the western slope of the Sierra Nevada mountain range in an area of California known world wide as the Mother Lode. Senior citizens, most of them recipients of Social Security and many of them low income, are a disproportionately large segment of the local population, accounting for 18 percent of local residents compared to an average 10 percent statewide.

Numerous small communities are scattered throughout each county, with most communities having limited or no banking service. At this time last year, Tuolumne County residents and small merchants were fighting the sale and consolidation of branches of a local bank. Only through this strong effort did the small Tuolumne County community of Columbia maintain a local bank branch. As an example of the reluctance of banks to serve smaller, rural communities, I must point out that the community

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of Columbia is also the site of Columbia State Historic Park (part of the California State Parks System) and is annually visited by tens of thousands of American and foreign tourists needing banking service. But the one small bank branch that serves Columbia does not have an Automated Teller Machine. The nearest branch of that bank with an ATM is approximately 17 miles away in neighboring Calaveras County.

It is seniors and other local low-income Federal benefit recipients, including A-TCAA's clientele, who will be adversely affected by EFT unless the following four areas are adequately addressed—consumer protections, access to the Treasury established EFT account, waivers, and the education campaign.

Consumer Protections: All persons required to use EFT to access their benefits—both voluntarily opened accounts and the default Treasury account—must be protected from unreasonable fees and from banks contracting with non-bank entities, such as cash checkers, to provide users access to their funds. It is important to remember that the “voluntary” accounts are often voluntary in name only. We must acknowledge that many recipients opened these accounts only because they felt forced to in order to receive their benefits. Also, as described above, in areas such as Columbia the so-called banking competitive market place does not exist. When a community is served by one small bank branch, there is no comparison shopping for the best rates.

The proposed rules, despite Congress' intent, fail to impose even minimum consumer protections on accounts “voluntarily” opened because of the EFT requirement. All accounts (“voluntary” and Treasury) opened as a result of EFT must:

- Provide limits on monthly account fees. Among reasons for not using bank accounts is the inability of low-income persons to afford the fees. In small communities many local merchants will cash Social Security checks for free. Use of EFT must not place an additional financial burden on low-income Federal benefit recipients.

- Provide access to cash withdrawals. A minimum of four free ATM withdrawals should be included.

- Prohibit fees on point of sale transactions involving a purchase. Sales transaction fees will burden not only the account user but harm small businesses that will lose sales if the customer must pay an additional \$1 to \$2 to use their money to make each purchase.

- Provide access to information about account balance and fees. ATM receipts should include this information and a minimum of two free monthly account inquiries should be provided.

- Provide checking account and savings options, as well as unlimited deposits. These options are consistent with Treasury's goal of bringing the “unbanked” into the banking system.

- Provide that the debit card issued to users of the account established by Treasury carries the name of the financial institution and same appearance as the card used by other bank

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customers.

—Provide the same protections as available to other account holders.

—Provide up-front, easily understandable information and fees and other account terms.

Access to Treasury Established EFT Account: Federal benefit recipients with already established accounts and who wish to continue banking electronically should have access to the Treasury established EFT account if it provides better access and lower fees. Because of the limited banking options in low-income and small, rural communities Treasury cannot assume that these previously opened accounts were selected in a competitive banking marketplace. Also, bank mergers and sales can change the original banking relationship and result in increased fees and restrictions.

Access to the Treasury EFT account must also be available to those Federal recipients using non-bank entities to provide their funds. To do otherwise is to give Treasury's endorsement for these entities to prey on vulnerable consumers.

Waivers: A-TCAA agrees with self certification for waivers. The category of waivers, however, must be expanded.

Waivers must be expanded to include mental disability, inadequate literacy skills, and lack of English fluency. A-TCAA strongly disagrees with Treasury's assertion that "the obstacles posed by these factors are not uniquely associated with the use of EFT." As an agency providing adult literacy and English as a Second Language instruction, A-TCAA is well aware that functionally illiterate and limited English speakers develop a routine to function with paper checks, such as how to sign their name and write their address, how to endorse a check, seek teller assistance, etc. Difficult to read ATM screens, unclear prompts, and pressure to complete a transaction quickly (beeping sound in background while trying to select an option), combine to make ATMs user unfriendly to low literacy and limited English speakers.

Many developmentally disabled individuals stand to lose their both their financial and personal independence if the waiver category is not expanded to include mental disabilities. According to the local service provider for the developmentally disabled, only a small percentage of their clients have representative payees. A significant number of the developmentally disabled can independently manage their funds as long as a cash or paper (check) format is available. Cash and checks are "real" money to these individuals, and in this tangible format the developmentally disabled can understand their finances. Electronic transactions lose that reality, meaning many developmentally disabled will not be able to manage their funds in the electronic format. EFT will force these developmentally disabled individuals to use representative payees to handle the electronic accounts. Not only will a hard fought battle for independence be lost, but these developmentally disabled individuals will also be vulnerable to unscrupulous representative payees.

Education Campaign: The education campaign should be stopped until details of the Treasury established account are known and until waiver categories are expanded. The education campaign must go beyond extolling the benefits of electronic funds transfer to providing information on account

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options, how to select accounts, and consumer rights.

The education campaign should be conducted at the local level by community based organizations. CBOs already have a relationship and credibility with the "unbanked" and knows how to reach this population. CBOs also have a track record of successfully providing consumer and other education in their communities. As an example, A-TCAA has provided thousands of local residents education and training and telephone deregulation and selecting and maintaining cost effective phone service, budget counseling and money management, and utility consumer education.

Education materials must be provided in formats that are understandable by those who are financially unsophisticated, semi-literate, limited English speaking, or developmentally disabled. Education must also provide information on the restrictions and limitations on the account, how to use an electronic account, how to track available funds, and other skills associated with managing the electronic account.

In summary, for EFT '99 to be successful the following four areas must be adequately addressed—consumer protections, access to the Treasury established EFT account, waivers, and the education campaign.

Again, A-TCAA appreciates this opportunity to comment. Should you have questions or require additional information, please feel free to contact Diane Bennett of my staff at 209-533-1397 (phone), 209-533-1034 (fax), or atcaadb@goldrush.com (E-mail).

Sincerely,



Shelly Hance
Executive Director

cc: California/Nevada Community Action Association
The Honorable Barbara Boxer
The Honorable Dianne Feinstein
Alan Fisher, California Reinvestment Committee